

June 25, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## **STATE LEGISLATIVE UPDATE**

### **State Budget Update**

As reported in our June 20, 2002 Update, Conference Committee Chair Steve Peace had angrily adjourned that day's meeting telling the Republican members to call when they were serious about negotiating. It now appears the Conference Committee may not reconvene. The breakdown was the result of the failure of Assembly Republicans to put up enough votes to pass SB 1830 which contains a key piece of the budget solution - a \$1.7 billion shift of education funds from the current fiscal year into the budget year. The shift had been agreed to by education groups as an alternative to suspending Proposition 98 or cuts in education funding. Assembly Republicans have said they will not vote for the bill until Democrats agree to spend \$400 million to make school funding "more equitable" for rural and suburban school districts. Supposedly the fund transfer must be approved by midnight Sunday, June 30, or the State will be obligated to pay the \$1.7 billion to school districts in the current year and the Legislature would have to make an additional \$1.7 billion of budget cuts or revenue increases in the budget year. After a spirited debate over the inequities of school funding and the risks entailed in blocking the fund shift, the Assembly voted on Monday, June 24, 2002, to reconsider SB 1830.

In the meantime, both the Assembly and the Senate are moving separately to amend a series of bills on the floor to form a budget package. The Senate is expected to vote on its package today. The first bill to be considered is expected to be a measure that will include almost \$4.8 billion in tax increases, including a two-year increase in income tax rates on

high income taxpayers (SB 1255: Burton), a 50 cent per pack increase in tobacco taxes, a two-year suspension of the net operating loss income tax deduction for businesses, and conformity with federal law regarding the treatment of bad-debt costs for financial institutions. Also to be included in the bill is some \$4.7 billion in spending, including many of the budget cuts restored by the Conference Committee, as well as \$3.7 billion to fund the VLF backfill for local governments, \$51 million for county assessors, and full restoration of popular public safety grants for juvenile justice, COPS and local law enforcement. By tying these issues together, the Senate leadership is making the point that the revenue increases are necessary to fund the spending in the bill. While Senator Peace has indicated that they will try other revenue options if this bill fails, the message for counties is clear. The VLF backfill is in play as a possible cut to balance the State budget if attempts to raise revenue fail.

The Assembly is moving on a separate but related track. Last night the Assembly Budget Committee approved nine bills that will be their budget and budget trailer bills, including a tax measure, SB 1849, that includes the tax increases in the Senate budget package. The Assembly is expected to take up its package on Thursday, June 27, 2002, or upon Call of the Speaker.

### **Coalition Supporting Income Tax Increase**

Attached is a list of organizations that have joined together to support an income tax increase on high income taxpayers in order to avoid spending reductions in vital services.

Such an increase is included in the revenue measures to be considered by the Legislature. It is similar to the provisions of SB 1255 (Burton) which increases the top marginal personal income tax rates from the current 9.3% to 10% and 11%. Single filers with taxable income over \$130,000, joint filers with taxable income over \$260,000, and head of household filers with taxable income over \$176,950 would be affected. It is estimated to raise \$2.7 billion in the budget year. During the budget crises of the early 1990's, the State enacted a similar increase adding 10% and 11% rates for the highest income taxpayers for four years until 1996.

### **Status of County Interest Legislation**

**County-supported AB 2154 (Robert Pacheco)**, which would delete the January 1, 2003 sunset date for the Expedited Youth Accountability Program which allows peace officers and probation officers to cite a juvenile directly to the Informal Juvenile and Traffic Court for any misdemeanor except crimes involving firearms, violence, or sex, passed the Senate on June 20, 2002, on a 36 to 0 vote and was sent to the Governor.

**County-supported SB 1396 (Dunn)**, which would require a local sheriff and presiding judge to develop a court security plan and enter into a Memorandum of Understanding specifying the level and cost of court security services, was amended on June 17, 2002, to require the Judicial Council to provide the Senate and Assembly Judiciary committees with an annual report summarizing court security plans reviewed by the Judicial Council. SB 1396 remains in the Assembly Appropriations Committee.

**County-opposed unless amended SB 1521 (Kuehl)**, which would require the State Office of Planning and Research (OPR) to develop and periodically review model planning practices and policies that emphasize land uses that are economically, socially, and environmentally sustainable, was amended on June 17, 2002, to express legislative intent that OPR consider the provisions of SB 1521 as one of their most vital responsibilities. These amendments do not affect the County's position. SB 1521 remains in the Assembly Local Government Committee.

**County-opposed unless amended SB 1793 (Burton and Karnette)**, which would eliminate the Youthful Offender Parole Board and divide its responsibilities between the Juvenile Courts and local probation departments, was amended on June 17, 2002. According to the Probation Department, the amended version does not provide funding for new probation department responsibilities including, but not limited to, preparation of various reports, time spent consulting with Parole Agents, the cost of housing wards in county juvenile halls pending revocation hearings, and transportation of wards to and from hearings. Therefore, we will continue to oppose SB 1793 unless it is amended to fund all new probation responsibilities.

We will provide additional budget information as soon as it becomes available.

DEJ:GK  
DS:JR:zo

**Attachment**

c: Executive Officer, Board of Supervisors  
County Counsel  
All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

Each Supervisor  
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